SECOND DRAW PPP GUIDANCE: “GROSS RECEIPTS” FOR NONPROFITS
CONTENTS
(AND WHERE TO FIND THEM IN THE VIDEO)

- Why gross receipts matter (0:36 – 1:19)
- How nonprofit gross receipts are defined (1:20 – 2:53)
- How to do a quarterly comparison (2:54 – 6:13)
- How to do an annual comparison (6:14 – 7:55)
- Where to find gross receipts on tax filings (7:56 – 9:29)
- Whether to include affiliates (9:30 – 10:54)
- How to calculate your reduction (10:55 – 11:47)
- Other questions? (11:48 – 12:27)
WHY DO GROSS RECEIPTS MATTER?

- 2\textsuperscript{nd} Draw PPP loans are only available to the hardest hit borrowers

- To be eligible, you must show \textbf{25\% or more reduction} in gross receipts in 2020, as compared to 2019

- \textbf{SBA Guidance: Second Draw PPP Loans: How to Calculate Revenue Reduction and Maximum Loan Amounts Including What Documentation to Provide} (sba.gov)
NONPROFIT GROSS RECEIPTS

Gross amount received from all sources, without reduction for costs or expenses such as cost of goods/assets sold, cost of operations, or expenses of earning, raising, or collecting such amounts (as defined by IRC Section 6033)

<table>
<thead>
<tr>
<th>INCLUDE ✓</th>
<th>DON’T INCLUDE ✗</th>
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<tbody>
<tr>
<td>• Contributions, gifts, grants</td>
<td></td>
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<tr>
<td>• Dues &amp; assessments</td>
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<tr>
<td>• Gross sales/receipts from business activities</td>
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<tr>
<td>• Sale of assets</td>
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<tr>
<td>• Investment income (interest, dividends, rents &amp; royalties)</td>
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<tr>
<td>• Proceeds from transactions with Affiliates</td>
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<td>• PPP loan proceeds</td>
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<td>• EIDL advance proceeds</td>
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Comparison

- If your organization was:
  - In operation before 7/1/19: compare any quarter in 2019 with the same quarter in 2020
  - Not operating until after 6/30/19: compare Q3 or Q4 2019 with any quarter in 2020
  - Not operating until after 9/30/19: compare Q4 2019 with any quarter in 2020
  - Not operating until after 12/31/19: compare Q1 2020 with any other quarter in 2020

- SBA requires use of calendar quarters
  - January 1 – March 31, April 1 – June 30, July 1 – September 30, October 1 – December 31

Documentation (one of the following)

- Quarterly financial statements for the quarters being compared
  - If unaudited, sign & date first page & initial all other pages, to attest accuracy
  - Annotate which line items constitute gross receipts

- Monthly bank statements for the quarters being compared
  - Annotate which deposits constitute gross receipts (e.g., payments for purchases of goods and services) and which do not (e.g., capital infusions)

- Annual IRS income tax filings of the borrower for 2019 and 2020
  - If you have not yet filed your 2020 IRS 990, prepare a draft (sign & date, to attest accuracy)
  - SBA may require a copy of your final filed IRS 990 at forgiveness
ANNUAL COMPARISON

Comparison
- Compare 2019 IRS 990 to 2020 IRS 990
- To choose the annual option, you must either operate on a calendar year, or on a non-calendar fiscal year starting by the first day of April

Documentation
- Annual IRS 990 of the borrower for 2019 and 2020
- If you have not yet filed your 2020 IRS 990, prepare a draft (sign & date, to attest accuracy)
- SBA may require a copy of your final filed IRS 990 at forgiveness
IRS FORM 990 - GENERALLY

USE LINE G (GROSS RECEIPTS)
Part VIII (Statement of Revenue):

LINE 12 (Column A total revenue) 
+ LINE 6b(i) & (ii) (rental expenses) 
+ LINE 7b(i) & (ii) (cost or other basis) 
+ LINE 8b (direct expenses) 
+ LINE 9b (direct expenses) 
+ LINE 10b (COGS) 

= Gross Receipts
IRS FORM 990-EZ

Part I (Revenue, Expenses ...)

LINE 9 (total revenue)
+ LINE 5b (cost or other basis)
+ LINE 6c (direct expenses)
+ LINE 7b (COGS)
= Gross Receipts
AFFILIATES

- In general, **include gross receipts of all Affiliates**

- New Affiliates:
  - Gross receipts includes the Affiliate’s receipts for the entire measurement period (not just following the acquisition)
  - If you acquired a segregable division of an Affiliate during 2020, gross receipts include the division’s receipts only following the acquisition

- Former Affiliates:
  - Exclude receipts for the entire measurement period (not just following the end of the affiliation)
  - If you sold a segregable division, include the division’s receipts prior to sale

- Affiliation rules are **waived** for:
  - Businesses with NAICS code 72 & not more than 300 employees
  - News organizations majority owned/controlled by NAICS code 511110 or 5151 & not more than 300 employees per physical location
  - Nonprofits with NAICS code 5151

- **SBA Guidance to determine whether you have Affiliates:** [Affiliation Rules for Paycheck Protection Program (sba.gov)](https://sba.gov)
CALCULATING YOUR REDUCTION

- Calculate your Gross Receipts for 2019 and 2020 (or for chosen quarters)
- Divide 2020 Gross Receipts by 2019 Gross Receipts
- Subtract this result from 1 to determine your % reduction

**Example:**
- 2019 gross receipts = $50,000
- 2020 gross receipts = $30,000
  
  $30,000/$50,000 = 0.6
  
  1 - 0.6 = 0.4
  
  40% reduction: ELIGIBLE

IF REDUCTION IS 25% OR MORE, YOU MEET THE GROSS RECEIPTS TEST FOR A 2nd DRAW PPP LOAN
**OTHER QUESTIONS?**


**PPP Loan Guidance**

Please see the Tools & Resources below for current information to help you navigate the PPP loan process. Self-Help is monitoring updates from Congress, the Treasury Department and SBA for any changes to the program and will update this page with new information as it becomes available.

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<td><strong>Self-Help Resources</strong></td>
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<tr>
<td>• Have questions on PPP? Find answers to commonly asked questions in our <a href="https://www.self-help.org/PPP_FAQ">PPP FAQ</a> (updated as of February 8, 2021)</td>
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<td>• ¿Tiene Preguntas de Perdón? Encuentre Respuestas a preguntas comunes en nuestro Documento Perdón</td>
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